
Prelims and Mains focus: about the Samurai loans raised by NTPC and its utility

News: India’s largest power generator NTPC Ltd has raised a $750 million-worth term loan in Japanese yen, claiming it to be the “largest ever” Samurai loan raised by any Asian corporate.

What are Samurai loans?

- Samurai loans allow non-Japanese firms to tap into the investment capital available in Japan and borrow funds in yen, which is among the currencies with the lowest interest rates.
- The cross border syndicated loan provides the borrower with capital to either enter the Japanese market or the ability to convert the proceeds into the firm’s local currency for use in existing operations.

How were the funds raised?

- The loan was raised under the automatic route of RBI’s External Commercial Borrowing regulations and has been fully underwritten by the State Bank of India in Tokyo, Sumimoto Mitsui Banking Corporation in Singapore and Bank of India, Tokyo.
- The facility has a door-to-door maturity of 11 years — the period within which the amount would have to be paid back — under two tranches.

What would be the funds used for?

- The funds raised would be used towards implementing systems that would help the state-owned power giant fund capex for installation of Flue Gas Desulphurization (FGD) system that helps in substantial reduction of toxic sulphur oxide (SOx) emissions.
• It would also be invested in NTPC’s new hydro projects as well as projects using ultra-supercritical technology, which are plants that require less coal per megawatt-hour and, therefore, lead to lower carbon emissions.

• Finance Minister said in her Budget speech that utilities running thermal power plants with high carbon emission levels are advised to close those plants with emissions above pre-set norms.